

Chapter 173-95A WAC
USES AND LIMITATIONS OF
CENTENNIAL CLEAN WATER FUNDS

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WAC

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WAC 173-95A-010 What is the purpose of this chapter? The purpose of this chapter is to set forth limitations on the allocation and uses of moneys administered by the department of ecology from a special fund within the state treasury known as the water quality account, as authorized by chapter 70.146 RCW. This fund provides financial assistance, in the form of loans and grants to meet high priority water quality management needs, to public bodies throughout the state of Washington. Funded projects must address water quality problems related to public health and environmental degradation. In order to encourage the timely use of funds provided by the state legislature, priority will be given to projects shown to be ready to proceed.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-010, filed 12/8/00, effective 1/8/01. Statutory Authority: RCW 70.146.070 and 36.70A.040. 97-24-096 (Order 97-31), § 173-95A-010, filed 12/3/97, effective 1/3/98.]

- WAC 173-95A-020 What are the definitions of key terms?** (1) "Activities" - see "water pollution control activity."
- (2) "Applicant" means a public body that has applied for funding.
 - (3) "Best management practices" means physical, structural, and/or managerial practices, approved by the department, that, when used singularly or in combination, prevent or reduce pollutant discharges.
 - (4) "Cash match" means funds to match the state share of a grant that are under the sole control of a public body.
 - (5) "Centennial" means the centennial clean water fund.

(6) "Ceiling amounts" means the largest amount of financial assistance the department can provide to an individual project. Ceiling amounts vary based on factors including the type of project and whether a loan or a grant is awarded.

(7) "Commercial, industrial, and institutional flows" means the portion of the total flows to a facilities project that originate from commercial establishments, industrial facilities, or institutional sources such as schools, hospitals, and prisons.

(8) "Cost-effective alternative" means the alternative with the lowest present worth or equivalent annual value that achieves the requirements of the facility and that recognizes environmental and other nonmonetary considerations.

(9) "Department" means the department of ecology.

(10) "Easement," for the purposes of this rule, means a written agreement between a public body and an individual landowner, that allows the public body to have access to the property at any time to inspect, maintain, or repair activities or facilities installed with a loan or a grant, or to hold occasional public tours of the site for educational purposes.

(11) "Eligible cost" means the portion of the cost of the facilities or activities project that can be financed under the provisions of this chapter.

(12) "Enforcement order" means an administrative order that is a document issued by the department under the authority of RCW 90.48.120 and that directs a public body to complete a specified course of action within an explicit period of time to achieve compliance with the provisions of chapter 90.48 RCW.

(13) "Engineering report" means a report that evaluates engineering and other alternatives that meet the requirements set forth in chapter 173-240 WAC, Submission of plans and reports for construction of wastewater facilities.

(14) "Environmental emergency" means a problem that a public body and the department agree poses a serious, immediate threat to the environment or to the health or safety of a community, and requires immediate corrective action.

(15) "Estimated construction cost" means the estimated sum of moneys, excluding sales tax, to be paid to construction contractors and suppliers for all labor, materials, equipment, and other related work necessary to construct the proposed project.

(16) "Existing needs" means water pollution control facilities capability for the existing population in order to meet the requirements of the water quality based effluent limitations in the recipient's National Pollution Discharge Elimination System or state waste discharge permit.

(17) "Existing residential need" means water pollution control facilities capability for the existing residential population in order to meet the water quality based effluent limitations in the recipient's National Pollution Discharge Elimination System or state waste discharge permit.

(18) "Excess capacity" means water pollution control facilities capability beyond what is needed for the existing residential population to meet the water quality based effluent limitations in the recipient's National Pollution Discharge Elimination System or state waste discharge permit.

(19) "Extended grant payments" means cash disbursements for eligible project costs made under a multiyear centennial grant agreement according to conditions established in RCW 70.146.075 and funded through legislative appropriations. Extended grant payments do not follow the normal process of reimbursement for actual costs incurred.

(20) "Facilities plan" means an engineering report that includes all the elements required by the National Environmental Policy Act, other federal statutes, and planning requirements

under chapter 173-240 WAC, Submission of plans and reports for construction of wastewater facilities.

(21) "Facilities" - see "water pollution control facilities."

(22) "Force account" means loan or grant project work performed using labor, materials, or equipment of a public body.

(23) "Funding cycle" means the annual cycle of activities related to allocating funds for a single fiscal year.

(24) "Funding cut-off line" means the position on a final offer list ranked by priority below which financial assistance will not be offered from that fund, proviso, or funding category.

(25) "Funding list" - see "offer list."

(26) "Grant agreement" means a contractual arrangement between a public body and the department that includes an approved scope of work, total project cost, set grant percentage, eligible costs, budget, and a schedule for project completion (in addition to other requirements).

(27) "Immediate corrective action" means that the director of the department or the director's designee has determined that the project must proceed to correct the problem in a timely manner before funds are available during the next regular funding cycle. This usually would involve a "public health emergency" or an "environmental emergency."

(28) "Indirect cost" means costs that benefit more than one activity of the recipient and that may not be directly assigned to a particular project objective.

(29) "Infiltration and inflow" means water, other than wastewater, that enters a sewer system.

(30) "Infiltration and inflow correction" means the cost-effective alternative or alternatives identified in an approved facilities plan or engineering report for eliminating or reducing the infiltration and inflow from an existing sewer system.

(31) "In-kind contributions" means the value of noncash contributions provided by a public body or any other approved parties.

(32) "Interlocal costs" means the cost of goods or services provided to a project under the terms of an interlocal agreement by a public body eligible to apply for centennial funds. These costs may be considered as part of a cash match if they are eligible for funding under the grant agreement.

(33) "Loan agreement" means a contractual arrangement between a public body and the department that involves a disbursement of funds that must be repaid. The agreement includes an approved scope of work, total project cost, loan terms (including interest rates) and a repayment schedule.

(34) "Loan default" means failure to make a loan repayment within sixty days after the payment was due.

(35) "Local prioritization process" means a process to prioritize projects locally as specifically described in [WAC 173-95A-050](#).

(36) "Match" means the portion of the eligible project costs not covered by a grant, including actual cash outlays, and noncash (in-kind) contributions.

(37) "Maximum eligible costs" means the ceiling on the portion of the costs of a project that are eligible.

(38) "Nonpoint source water pollution" means pollution that enters any waters from widespread water- or land-based activities. Nonpoint source water pollution includes, but is not limited to, atmospheric deposition; surface water runoff from agricultural lands, urban areas, and

forest lands; subsurface or underground sources; and discharges from boats or other marine vessels.

(39) "Offer list" means a list of projects prioritized for receiving financial assistance from the centennial program.

(40) "Previously funded objective" means a project or project element intended to address the same need as a project or project element that has been previously funded by a loan or grant from a funding program administered by the department.

(41) "Project" means water pollution control facilities or activities for which a loan or grant is awarded by the department.

(42) "Public body" means the state of Washington or any agency, county, city or town, conservation district, other political subdivision, municipal corporation, quasi-municipal corporation, and those Indian tribes now or hereafter recognized by the federal government.

(43) "Public health emergency" means a situation in which illness or exposure known to cause illness is occurring or is imminent (as determined by the Washington state department of health).

(44) "Recipient" means a public body that applied for funding, has been offered funding, and has signed a funding agreement with the department.

(45) "Scope of work" means a detailed description of a project, including measurable objectives useful for determining successful completion. The scope of work is negotiated between the department and the loan or grant recipient.

(46) "Severe public health hazard" means a situation in which the potential for illness exists, but illness is not occurring or imminent (as determined by the Washington state department of health).

(47) "Sewer" means a pipe and related pump stations located on public property, or on public rights of way and easements, that conveys wastewater from individual buildings or groups of buildings to a treatment plant.

(48) "Side sewer" means a sanitary sewer service extension from the point five feet outside the building foundation to the publicly owned collection sewer.

(49) "Small flows" means flows from commercial, industrial, or institutional sources that enter a sanitary sewer system.

(50) "Step process" means a systematic process that facilities projects must follow to be eligible for loans or grants.

(51) "Total eligible project cost" means the sum of all costs associated with a water quality project that have been determined to be eligible for loan or grant funding.

(52) "Total project cost" means the sum of all eligible and ineligible costs associated with a water quality project.

(53) "Water pollution control activities" or "activities" means actions taken by a public body for the following purposes:

- (a) To prevent or mitigate pollution of underground water;
- (b) To control nonpoint sources of water pollution;
- (c) To restore the water quality of freshwater lakes; and
- (d) To maintain or improve water quality through the use of water pollution control facilities or other means.

(54) "Water pollution control facilities" or "facilities" means any facilities or systems for the control, collection, storage, treatment, disposal, or recycling of wastewater, including, but not

limited to, sanitary sewage, storm water, residential, commercial, industrial, and agricultural wastes, which are causing water quality degradation due to concentrations of conventional, nonconventional, or toxic pollutants. Water pollution control facilities include all equipment, utilities, structures, real property, and interests in and improvements on real property necessary for or incidental to such purpose. Water pollution control facilities also include such facilities, equipment, and collection systems as are necessary to protect federally designated sole source aquifers.

(55) "Water pollution" means contamination or other alteration of the physical, chemical, or biological properties of any waters of the state, including change in temperature, taste, color, turbidity, or odor of the waters; or any discharge of a liquid, gas, solid, radioactive substance, or other substance into any waters of the state that creates a nuisance or renders such waters harmful, detrimental, or injurious to the public, to beneficial uses, or to livestock, wild animals, birds, fish, or other aquatic life.

(56) "Water resource inventory area" or "WRIA" means one of sixty-two watersheds in the state of Washington, each composed of the drainage areas of a stream or streams, as established in chapter 173-500 WAC as it existed on January 1, 1997.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-020, filed 12/8/00, effective 1/8/01. Statutory Authority: RCW 70.146.070 and 36.70A.040. 97-24-096 (Order 97-31), § 173-95A-020, filed 12/3/97, effective 1/3/98.]

WAC 173-95A-030 How and under what conditions, can money from the centennial fund be used? (1) Uses of the money. The centennial fund may be used for the following purposes:

(a) To make loans and grants to applicants in order to finance the planning, design, or construction of water pollution control facilities; and

(b) To make loans and grants to applicants for the implementation of nonpoint source pollution control management programs subject to the requirements of chapter 70.146 RCW. Nonpoint source pollution control management programs include planning and implementing elements of the nonpoint source pollution assessment and management program.

(2) Eligibility to apply for funding. Eligible applicants and funding recipients under the centennial fund are public bodies, including the state of Washington or any agency, county, city or town, conservation district, other political subdivision, municipal corporation, quasi-municipal corporation, and those Indian tribes now or hereafter recognized by the federal government.

(3) Program integration. While maintaining the integrity of individual funding programs, the department will combine the management of the centennial program with certain compatible funding programs, including, but not limited to, the Washington state water pollution control revolving fund, and the Clean Water Act, Section 319 nonpoint source fund. The combined management will include combined funding cycles, combined program guidelines, and combined funding offer lists. Applicants will not be asked to apply for funds from a specific funding source, only whether they are applying for loan or grant funding for their projects. After developing a prioritized list of projects proposed for funding (based on review of applications), the department will decide which funding source best meets the needs of each individual project.

(4) Unless demand for funding for activities projects is limited, a maximum of two-thirds of the available funds for competitive projects for any fiscal year will be made available for projects related to water pollution control facilities.

(5) Normally, the department will fund loan projects or the loan portion of loan and grant projects from the Washington state water pollution control revolving fund whenever the project is eligible for state water pollution control revolving loan fund funding and the funding is available.

(6) Funding for activities projects:

(a) Activities grants made under the centennial program must be matched with any combination of cash or in-kind that totals twenty-five percent of the total eligible project cost.

(b) Grants for activities projects made under the centennial program are subject to ceiling amounts of:

(i) Five hundred thousand dollars if the match for the grant is entirely in the form of cash; or

(ii) Two hundred fifty thousand dollars if any part of the match is in the form of in-kind goods and services.

(c) Loans for activities projects made under the centennial program are subject to ceiling amounts of five hundred thousand dollars and no match is required.

(7) Funding for facilities projects:

(a) Applicants seeking funding for facilities projects may only apply for loans, but may specify on their application that they would like their project to be analyzed for financial hardship consideration. Some grant funding may be available each funding cycle for a limited number of facilities projects that qualify for financial hardship consideration.

(b) Ceiling amounts for loans under the centennial program: Loans for facilities projects are limited to half the total eligible cost of the project, or five million dollars, whichever is less: Provided, That this amount does not exceed one-third of the available funds for competitive projects for a single funding cycle.

(c) No match is required for loans made under the centennial program.

(d) Ceiling amounts for grants for facilities construction projects made to offset hardship under the centennial program: When a hardship analysis by the department shows that an applicant requesting funding for a facilities construction or "step three" project is eligible for grants, facilities construction grants made under the centennial program are subject to ceiling amounts of half the total eligible cost of the project plus an unemployment differential, as described in subsection (8)(c)(ii) of this section, or five million dollars, whichever is less: Provided, That this amount does not exceed one-third of the available funds for competitive projects for that fiscal year. These ceiling amounts are the maximum that can be provided in the form of grant funds for the life of the project as specified in a facilities plan approved by the department, except as provided for in (h) of this subsection.

(e) Ceiling amounts for grants for facilities projects consisting of combined design and construction: When a hardship analysis by the department shows that a recipient initiating a facilities design and construction or "step four" project, as provided for in [WAC 173-95A-080](#) (2)(d), is eligible for grants, facilities construction grants made under the centennial program are subject to ceiling amounts of half the total eligible cost for the construction portion of the project. The total project cost under step four may not exceed one million dollars. If the total

project cost for a step four project exceeds one million dollars, no portion of the project may be funded with centennial loan or grant funds.

(f) Facilities grants to meet hardship made under the centennial program must be matched with sufficient cash to meet the total eligible project cost when combined with the grant amount. The applicant is encouraged to negotiate a funding package that provides funding for the total eligible project cost in the form of loans and grants from the department. Towards this goal, the applicant must accept a loan from the department for all or part of the remainder of the total eligible project cost. At a minimum, this loan must be for the remaining portion of the eligible cost of the project, or for an amount equal to the grant portion, whichever is less.

(g) A facilities construction project that is eligible for grant funding due to hardship consideration and is prioritized exactly at the funding cutoff point for facilities projects on the final offer list may receive only partial grant funding in a single funding cycle due to lack of available funds. In this case, if funds are available for the project and if the project can be shown to have proceeded during the intervening year according to the provisions of [WAC 173-95A-100](#) the project will be offered the remaining amount as eligible under (b) of this subsection in the next funding cycle, subject to sufficient legislative appropriation.

(h) In exceptional cases where extreme levels of financial hardship exist, and the total eligible grant amount of a project has been determined by the department to be greater than five million dollars, applicants may be awarded financial assistance in the form of equal annual extended payment grants over a period of at least ten and no more than twenty years. Extended grant payments must be approved by the legislature and funding must be appropriated in the Washington state biennial capital budget for each biennium in which extended grant payments are made.

(8) Financial hardship assistance for facilities construction:

(a) Financial hardship assistance may be available to loan recipients for the existing residential need portion of a water pollution control facilities construction project if the project will cause a residential sewer user charge in excess of one and one-half percent of the median household income.

(i) Median household income for this purpose is based on the most recent available census data, updated yearly based on inflation rates as measured by the Federal Bureau of Labor Statistics and published as the Consumer Price Index.

(ii) If median household income data are not available for a community or if the community disputes the data used by the department, the department will allow a local government to conduct a scientific survey to determine the median household income.

(iii) In situations where a project is proposed for an area with demographics which may not be representative of the entire census designated place, the department may require the applicant to conduct a scientific survey to determine the median household income.

(iv) In rare cases where financial hardship cannot be established using residential user fees as a percent of median household income, financial hardship determinations will be made on a case-by-case basis.

(b) The need for hardship assistance is calculated on water pollution control facilities construction costs associated with existing residential need at the time an application for funding is received by the department. The analysis does not include costs for growth. For example, if an applicant applies for ten million dollars to finance facilities construction costs, where six million dollars is for existing residential need and the remaining four million dollars is for

growth, the hardship analysis would be based on the six million dollars for existing residential need.

(c) If the department determines that financial hardship exists, it may make changes to the offer of financial assistance in an attempt to lower the residential user charges below the financial hardship level for the existing residential need. These changes may include:

(i) Structuring of the loan agreements to lengthen the repayment term to a maximum of twenty years; or

(ii) Lowering the interest rate; or

(iii) A combination of a lower interest rate and an extended term; and

(iv) If this is not sufficient, offering partial grant funding, not to exceed the ceiling amounts set in subsection (7) of this section and not to exceed fifty percent of the eligible costs plus an unemployment differential. The unemployment differential is determined by comparing the unemployment rate of the county in which the proposed project is located with the state-wide unemployment rate. In cases where the three-year average for the county is at least one full percentage point above the three-year average state-wide unemployment rate, the total three-year average unemployment rate for the county, rounded to the nearest whole percentage point, will be used as the unemployment differential. The three-year average will be for the period ending on December 31 of the most recent year for which a complete report is available from the department of employment security at the time the hardship analysis is conducted.

(d) If an applicant is requesting financial hardship assistance, it should submit a completed financial hardship analysis form with its application for financial assistance.

(9) Policies for establishing the terms of financial assistance. Interest rates for recipients will be based on the average market interest rate. The average market interest rate will be based on the daily market rate published in the Bond Buyer's Index for tax exempt municipal bonds for the period from sixty to thirty days before the annual centennial funding application cycle begins, using the daily market interest rate for that period. Loan terms and interest rates are as follows:

Repayment period interest rate.

Up to five years: Thirty percent of the average market rate.

More than five but no more than twenty years: Sixty percent of the average market rate.

The director of the department or the director's designee may approve lower interest rates for annual funding application cycle for the centennial fund and the Washington state pollution control revolving fund: Provided, That this may only be done if a financial analysis of the Washington state pollution control revolving fund demonstrates that lower interest rates for that year are not detrimental to the perpetuity of that fund.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-030, filed 12/8/00, effective 1/8/01. Statutory Authority: RCW 70.146.070 and 36.70A.040. 97-24-096 (Order 97-31), § 173-95A-030, filed 12/3/97, effective 1/3/98.]

WAC 173-95A-040 Where can I obtain details about the application and review process for centennial funds? (1) Applicants must apply for financial assistance in order to be considered for funding and for their projects to be included on the funding offer list. Projects must be on the funding offer list in order to receive centennial financial assistance.

(a) A schedule of the annual funding cycle will be published no later than the last business day of November each year.

(b) The period during which applications are accepted each year will last a minimum of sixty days, and application forms and guidelines for that year will be made available at the beginning of that period.

(c) In the first thirty days of the period during which applications are accepted each year, the department will conduct at least one application workshop in each of the department's four regions.

(2) The application for funding will consist of two parts. Part one of the application will request information for identification, description, and other information about the project for tracking purposes, and part two of the application will request information about the water quality problem or problems being addressed by the project and the proposed solutions to the problems. In the application, applicants will be asked to fully describe the environmental and financial need for the project. Applications for centennial financial assistance for facilities projects must address problems such as public health emergencies, severe public health hazards, the need to provide secondary or advanced treatment, the need to improve and protect water quality, reduction of combined sewer overflows, and other environmental needs. Applications for centennial financial assistance for nonpoint projects must address the remedies and prevention of water quality degradation associated with nonpoint source water pollution and must not be inconsistent with needs identified in the department's nonpoint source pollution assessment and management program.

(3) The application form, part two, will include five main question areas, each with subsidiary questions designed to elicit the information needed to evaluate the project. The maximum points awarded for these question areas equal ninety percent of the total possible score with a maximum of ten percent coming from local prioritization. The local prioritization process is described in detail in [WAC 173-95A-050](#). The five main question areas and their associated maximum point percentages are:

(a) "What is the overall water quality problem and how will the problem be solved or addressed by the project?" This question is intended for general background purposes and to give evaluators an overview of the proposed project; no points are assigned.

(b) "What are the specific public health and water quality impairments caused by the problem and what are the pollution prevention aspects?" This question area is worth a maximum of thirty-four percent of the total score.

(c) "How will your proposed project address the water quality problem, and what are your measures of success?" This question area is worth a maximum of thirty-four percent of the total score.

(d) "What are some of the local initiatives you have taken that will help make your project a success?" This question area is worth a maximum of twelve percent of the total score.

(e) "Are there any state of Washington or federal mandates that this proposed project addresses?" This question area is worth a maximum of ten percent of the total score.

(4) The department will evaluate the proposed projects based on the information contained in the applications.

(a) Projects will be ranked according to potential water quality benefit and protection of public health.

(b) Projects which have the highest environmental and public health need will be given priority for financial assistance under the centennial program.

(c) Because funds must be used in a timely manner, readiness to proceed is also used in establishing the priority of projects.

(d) Other factors, including funding provisions in chapter 70.146 RCW, provisos identified in the department's biennial capital budget, relationship to the department's published plans, and relationship to published plans created by other federal and state agencies will be included in the priority evaluation.

(e) The department will request other agencies, including, but not limited to, the Washington state conservation commission, the Puget Sound action team, and the Washington state department of health, to provide evaluation assistance as needed.

(f) The department will coordinate maximum funding amounts and other issues with other state and federal funding agencies when possible.

(5) The total score that each proposed project receives based on the application form, part two, will be added to the local prioritization score (see [WAC 173-95A-050](#) for more information on the local prioritization process) to develop the final score for the proposed project.

(6) The department will prepare a draft funding offer list each year after evaluating all applications. The draft funding offer list will list projects in rank order starting with the project receiving the most points in its final score. This will also generally be the order that projects may be offered financial assistance. After issuing the draft funding offer list, the department will allow a minimum of thirty days for public review and comment on the draft funding offer list. No later than fifteen days before the end of the public review and comment period the department will conduct at least one workshop to explain the draft funding offer list, answer questions about the draft funding offer list and the evaluation process, and provide details on the public comment process.

(7) The final funding offer list will be issued no later than sixty days after the end of the public review and comment period. The final funding offer list will reflect any changes made as a result of public comments or other information received during the public review and comment period, and will include a responsiveness summary. The final funding offer list will generally list projects in the order that projects may be offered financial assistance.

(8) Emergency loan funding:

(a) Emergency loan funding may be available on a case-by-case basis to respond to a public health emergency (as designated by the Washington state department of health) or an environmental emergency (as designated by the department) where:

(i) The public body requesting emergency funding immediately communicates directly with the appropriate regional office of the department; and

(ii) There is a demonstrated need for immediate corrective action; and

(iii) The emergency is not based on a preexisting condition.

(b) If the department agrees that an emergency request should be funded, department staff will attempt to identify funding for the project.

(c) No grant funds are available for emergency projects.

(d) If the emergency project is funded, the applicant must follow all other funding guidelines.

(e) Projects funded as emergencies should start immediately and be completed quickly.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-040, filed 12/8/00, effective 1/8/01. Statutory Authority: RCW 70.146.070 and 36.70A.040. 97-24-096 (Order 97-31), § 173-95A-040, filed 12/3/97, effective 1/3/98.]

WAC 173-95A-050 How can a local area have a role in determining funding priorities? (1) Applicants may receive rating points based upon locally derived priorities. A maximum number of local prioritization points equal to ten percent of the total evaluation points available to a project may be added to the project evaluation points assigned by the department. These points are awarded to recognize the fact that local agencies and other groups may have water quality priorities that differ from the state-wide water quality priorities. The department does not require that any particular criteria be used in determining local priorities, but recommends that the local group be familiar with the water quality criteria the department uses as well as any legislative mandates for funding consideration. Local prioritization is elective and applicants do not have to engage in or complete this process to be eligible for funding consideration. However, projects will not be awarded local prioritization points if the process described here is not followed.

(2) The area used for the local prioritization process must be one entire water resource inventory area.

(3) Each local prioritization process must address all applications for water quality funding made to the department for projects located in that water resource inventory area during the annual funding cycle for that fiscal year.

(4) Priorities must be sent to the department in a written document showing a numeric priority ranking for all eligible projects in a water resource inventory area. It must be signed by the representative of the lead agency of a local planning group (if a local planning group is used) or, if an ad hoc group is used, by the representatives of each of the required organizations. Signatures indicate that the represented group does not object to the specific priority ranking.

(5) In each water resource inventory area one group must complete the local prioritization effort. The department will not accept local priorities from more than one source in each water resource inventory area. The group must be one of the two types of groups described here:

(a) A local watershed planning group organized under RCW 90.82.060 (Watershed Planning Act). This group may be used only if it includes at least three of the required groups described in this section, and if this group is used, they must inform each of the other required groups of their priorities; or

(b) An ad hoc group consisting of a representative of all the required groups.

(6) The required groups are:

(a) The incorporated city, town, or municipal corporation with the largest population within the water resource inventory area; and

(b) All counties with jurisdictional responsibility for at least twenty-five percent of the area within the water resource inventory area; and

(c) The Washington state conservation district with the largest service area within the water resource inventory area; and

(d) The special purpose district providing wastewater services with the largest population within the water resource inventory area (districts that might meet this description include, but are not limited to, sewer districts, water and sewer districts, and public utility districts); and

(e) All federally recognized tribes having reservations or fishing rights within the water resource inventory area.

(7) In cases where a required signatory to the ad hoc group process refuses to become involved with the process, does not respond to the request to become involved, or agrees to become involved but does not do so, the ad hoc group may provide the department with proof that the group was asked to participate. This proof must be submitted with the signed list of priorities by the deadline for submitting that list. Where this proof is provided, the lack of the signature will not stop the department from awarding local priority points. Proof should consist of copies of registered mail asking the required group to become involved.

(8) The list of local priorities, with signatures, is due to the department no later than forty-five days after the end of the application period each fiscal year.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-050, filed 12/8/00, effective 1/8/01. Statutory Authority: RCW 70.146.070 and 36.70A.040. 97-24-096 (Order 97-31), § 173-95A-050, filed 12/3/97, effective 1/3/98.]

WAC 173-95A-060 What are the limitations on the use of funds? (1) The centennial fund may be used to provide financial assistance to applicants for the construction of water pollution control facilities and for water pollution control activities.

(2) Loan and grant offers identified on the final offer list will be effective for up to one year from the date of the final offer list. All loan and grant offers that do not result in a signed agreement within the effective offer period are automatically terminated.

(3) Limitations on commercial, industrial, and institutional flows:

(a) Flows from individual commercial, industrial, or institutional sources, are considered small when they are less than five percent of the total existing needs, as identified by the department's engineers. Collectively, flows from all individual commercial, industrial, or institutional sources are considered small when they are less than thirty percent of the total existing needs, as identified by the department's engineers. The portion of a project designed to serve the needs of commercial, industrial, and institutional customers may be funded using loans only, regardless of the level of financial capability in the jurisdiction applying for funding, where the department has determined that the flows from commercial, industrial, and institutional customers are "small."

(b) That portion of a project designed to serve the needs of local public primary and secondary schools may be grant eligible in cases where the residential portion of a project has been determined to be eligible for partial grant funding due to the level of financial capability in the public body applying for funding, under the provisions of [WAC 173-95A-030\(8\)](#).

(4) Projects proposed by Washington state agencies will not be funded; except that activities projects undertaken by state institutions of higher education are eligible to apply for funding when the activities are not part of the school's statutory responsibilities.

(5) Ineligible projects or project elements. Certain projects or project elements, including, but not limited to, the following, are not eligible for centennial assistance:

(a) Projects related to acts of nature that alter the natural environment, thereby causing water quality problems;

- (b) Cost-plus-a-percentage-of-cost contracts (also known as multiplier contracts), time and materials contracts, and percent-of-construction contracts in facilities projects;
 - (c) Fines and penalties due to violations of or failure to comply with federal, state, or local laws;
 - (d) Projects or project elements intended solely for flood control;
 - (e) Interest on bonds, interim financing, and associated costs to finance projects;
 - (f) Landscaping for aesthetic reasons;
 - (g) Legal expenses other than those associated with development of local ordinances for water quality protection and improvement, or with use of a bond counsel in developing a loan agreement;
 - (h) Lobbying or expenses associated with lobbying;
 - (i) Reclamation of abandoned mines;
 - (j) Monitoring equipment used by an industry for sampling and analysis of industrial discharges from municipal water pollution control facilities;
 - (k) Office equipment;
 - (l) Operating expenses of local government, such as the salaries and expenses of a mayor, city council member, city attorney, etc.;
 - (m) Routine or ongoing operation and maintenance costs;
 - (n) Overtime differential paid to employees of local government to complete administrative or force account work;
 - (o) Permit fees;
 - (p) Personal injury compensation or damages arising out of the project, whether determined by adjudication, arbitration, negotiation, or other means;
 - (q) Preparation of loan or grant applications;
 - (r) Costs associated with commercial, institutional or industrial pretreatment
 - (s) Professional dues;
 - (t) Projects or project elements solely addressing water quantity or other water resource issues;
 - (u) Refinance of existing debt;
 - (v) Replacement parts, other than those for an initial set of spare parts for equipment that is critical for a facility to operate in compliance with discharge permit requirements;
 - (w) Rework costs associated with any project;
 - (x) Projects or project elements solely addressing solid or hazardous waste;
 - (y) Training staff to develop skills not identified in the loan or grant agreement;
 - (z) Vehicle purchase except for vehicles intended for the transportation of liquid or dewatered sludge or septage;
 - (aa) Water pollution control activities or facilities or portions of those facilities that are primarily intended to control, transport, treat, dispose, or otherwise manage commercial, institutional or industrial wastewater or other water pollution control needs from those sites.
- (6) Loan-eligible projects or project elements. Certain projects or project elements, including, but not limited to, the following, are ineligible for centennial grant assistance, but may be eligible for centennial loan assistance:
- (a) Implementation of best management practices on private property, with certain narrow exceptions listed in subsection (8) of this section;

- (b) Comprehensive sewer planning, including wastewater elements of capital facilities planning under the Growth Management Act;
 - (c) Comprehensive storm water planning;
 - (d) Construction of water pollution control facilities with reserve capacities to meet up to one hundred ten percent of existing residential needs;
 - (e) Land acquisition as an integral part of the treatment process (e.g., land application) or for prevention of water pollution;
 - (f) Land acquisition for siting of water pollution control facilities, sewer rights of way, and easements, and associated costs;
 - (g) Land acquisition for wetland habitat preservation;
 - (h) Local loan fund establishment for water pollution control;
 - (i) New sewer systems to eliminate failing or failed on-site septic systems;
 - (j) Design (plans and specifications) for water pollution control facilities (including storm water facilities);
 - (k) Facilities plans for water pollution control facilities (including storm water facilities);
 - (l) Previously funded objectives;
 - (m) Residential and small commercial on-site septic system rehabilitation and replacement;
 - (n) Sewer laterals or individual pump stations or other appurtenances on private residential property;
 - (o) Value engineering for water pollution control facilities (including storm water facilities).
- (7) Projects or project elements eligible only for loans except in hardship situations. Certain projects or project elements, including, but not limited to, the following, may be eligible or partly eligible for centennial grant assistance when hardship has been determined by the department, and eligible for a centennial loan when hardship has not been demonstrated:
- (a) Construction of combined sewer overflow abatement;
 - (b) Construction of facilities for the control, storage, treatment, disposal, or recycling of domestic wastewater to meet existing need;
 - (c) Sewers and side sewer laterals on public property for infiltration and inflow correction projects;
 - (d) Costs associated with transferring ownership of a small wastewater system to a public body;
 - (e) Storm water quality control, treatment, installation, or rehabilitation necessary to protect surface and ground water;
 - (f) An initial set of spare parts for equipment that is critical for a facility to operate in compliance with discharge permit requirements;
 - (g) Sewer to replace existing water pollution control facilities.
- (8) Loan or grant eligible projects or project elements. Certain projects or project elements, including, but not limited to, the following, may be eligible or partly eligible for centennial loan or grant assistance:
- (a) Aquatic plant control when it has been established that water quality degradation is due to the presence of aquatic plants, and sources of pollution have been addressed sufficiently to assure that pollution being remediated does not recur;

- (b) Implementation of best management practices on private property, where the practice consists of demonstration of new, innovative or alternative technology not yet demonstrated in the Washington state department of ecology region in which they are proposed, and where a public easement is given by the landowner;
- (c) Implementation of best management practices in the riparian zone on private property consisting of revegetation or fence construction and where a public easement is given by the landowner;
- (d) Implementation of best management practices on public property;
- (e) Computer equipment specific to funded project and identified in a funding agreement;
- (f) Annual meeting or conference registration fees where attendee is making a formal presentation related to the project;
- (g) Watershed plan development and implementation;
- (h) Diagnostic studies to assess current water quality;
- (i) Water quality education and stewardship programs;
- (j) Environmental checklists, assessments, and impact statements necessary to satisfy requirements for the State Environmental Policy Act (SEPA) and the National Environmental Policy Act (NEPA);
- (k) Equipment and/or tools for activities projects as identified in a funding agreement;
- (l) Farm planning;
- (m) Ground water protection activities and programs;
- (n) Riparian and wetlands habitat restoration and enhancement, including revegetation;
- (o) Indirect costs at a rate of up to twenty-five percent, or as defined in the most current edition of *Administrative Requirements for Ecology Grants and Loans*;
- (p) Lake implementation projects and water quality planning activities on lakes with public access;
- (q) Landscaping for erosion control directly related to a project, or site-specific landscaping in order to mitigate site conditions and comply with requirements in the State Environmental Policy Act or the National Environmental Policy Act;
- (r) Monitoring effectiveness;
- (s) Monitoring equipment used in a funded project for water quality assessment;
- (t) Volunteer monitoring programs;
- (u) Monitoring water quality;
- (v) Costs associated with the establishment of an area-wide program for ongoing maintenance of on-site wastewater systems;
- (w) On-site wastewater system surveys;
- (x) Development and dissemination of model ordinances to prevent or reduce pollution from nonpoint sources;
- (y) Public participation and public awareness directly related to the project;
- (z) Light refreshments for advisory group meetings when specified in loan or grant agreement;
- (aa) Sales tax;
- (bb) Sediment reduction practices and projects;
- (cc) Stream restoration projects or other bioengineering for water quality purposes;
- (dd) Total maximum daily load study development and implementation;

- (ee) Training recipient staff to develop skills specific and necessary to the funded project and where the training is identified in the loan or grant agreement;
- (ff) User charge system development; wastewater or storm water utility rate studies;
- (gg) Comprehensive basin, watershed, and area-wide water quality planning;
- (hh) Implementation of eligible projects identified in watershed plans;
- (ii) Wellhead protection.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-060, filed 12/8/00, effective 1/8/01.]

WAC 173-95A-070 How does the Growth Management Act impact the use of funds? (1) A local government not in compliance with the Growth Management Act may not receive loans or grants from the department, except that, in limited circumstances, a local government that is not in compliance with the Growth Management Act may receive loans or grants from the department where necessary to address a public health need or substantial environmental degradation.

(2) For the purposes of this chapter, "compliance with the Growth Management Act" means that:

(a) A county, city, or town that is required to or chooses to plan under RCW 36.70A.040 has adopted a comprehensive plan and development regulations in conformance with the requirements of chapter 36.70A RCW, after it is required that the comprehensive plan and development regulations be adopted; and

(b) The county, city, or town has not been found out of compliance by a growth management hearings board; or

(c) A growth management hearings board has found a county, city, or town in compliance with the requirements of chapter 36.70A RCW, after previously finding the county, city, or town was not in compliance.

(3) For the purposes of this chapter, a public health need related to a loan or grant must be documented by a letter signed by the secretary of the Washington state department of health or his or her designee and addressed to the public official who signed the loan or grant application. "Public health need" means a situation where:

(a) There is a documented potential for:

(i) Contaminating a source of drinking water; or

(ii) Failure of existing wastewater system or systems resulting in contamination being present on the surface of the ground in such quantities and locations as to create a potential for public contact; or

(iii) Contamination of a commercial or recreational shellfish bed as to create a critical public health risk associated with consumption of the shellfish; or

(iv) Contamination of surface water so as to create a critical public health risk associated with recreational use; and

(b) The problem generally involves a serviceable area including, but not limited to, a subdivision, town, city, or county, or an area serviced by on-site sewage disposal systems; and

(c) The problem cannot be corrected through more efficient operation and maintenance of an existing wastewater disposal system or systems.

(4) For the purposes of this chapter, a substantial environmental degradation related to a loan or grant must be documented by a letter signed by the director of the department or his or her designee and addressed to the public official who signed the loan or grant application.

"Substantial environmental degradation" means that:

(a) There is a situation causing real, documented, critical environmental contamination that:

(i) Contributes to violations of the state's water quality standards; or

(ii) Interferes with beneficial uses of the waters of the state; and

(b) The problem generally involves a serviceable area including, but not limited to, a subdivision, town, city, or county, or an area serviced by on-site sewage disposal systems; and

(c) The problem cannot be corrected through more efficient operation and maintenance of an existing wastewater disposal system or systems.

(5) A county, city, or town that has been offered a loan or grant for a water pollution control facilities project may not receive loan or grant funds while the county, city, or town is not in compliance with the Growth Management Act unless:

(a) Documentation showing that a public health need has been provided by the Washington state department of health; or documentation showing that a substantial environmental degradation exists has been provided by the department; and

(b) The county, city, or town has provided documentation to the department that actions or measures are being implemented to address the public health need or substantial environmental degradation; and

(c) The department has determined that the project is designed to address only the public health need or substantial environmental degradation described in the documentation, and does not address unrelated needs including, but not limited to, provisions for additional growth.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-070, filed 12/8/00, effective 1/8/01.]

WAC 173-95A-080 What is the "step process" for planning facilities and activities projects? (1) The step process: The "step process" is a systematic method for proceeding with projects. The step process begins with site-specific planning, and continues through design to construction or implementation. It is required for facilities construction projects and, in a modified form, is required for some kinds of activities projects and recommended for all kinds of activities projects.

(2) The step process for facilities: To be eligible for a centennial loan or grant, facilities projects must follow the step process.

(a) Before a public body with a facilities project is eligible to apply for funds, all previous steps must be approved by the department in order to help ensure that funds are spent in a timely manner on projects proceeding towards a successful outcome. Funding for site-specific facilities planning (step one) or design (step two) does not guarantee the awarding of future loans or grants for construction (step three). The department will not sign a loan or grant agreement until all previous steps have been completed and approved by the department.

(b) Planning (step one): Step one involves the preparation of a site-specific facilities plan that identifies and prioritizes the cost-effective alternatives for addressing a water pollution

control problem with or without state and federal funding. There is no prerequisite for planning. If there is an existing engineering report, prepared with or without department funding, it must be upgraded for centennial loan or grant eligibility if it does not meet the definition of a facilities plan.

(c) Design (step two): Step two includes the preparation of plans and specifications for use in construction. These must be based on the preferred cost-effective alternative identified in the facilities plan. Facilities plans must be approved by the department before an application for design can be considered for funding, regardless of whether or not the facilities planning documents were funded by a department grant or loan.

(i) Due to specific loan and grant review criteria, facilities plans approved by the department for purposes other than securing a loan or grant will not be accepted for design purposes.

(ii) Facilities plans approved by the department more than two years prior to the close of the loan and grant application period must contain evidence of recent review by the department to ensure the document reflects current conditions.

(d) Construction (step three): Step three includes the actual building of facilities based on the approved design. Design must be approved by the department before an application for construction can be considered for funding.

(e) Design and construction (step four): In some cases, design and construction may be combined into one loan award, which is called step four. Different ceiling amounts apply to step four projects, as provided for in [WAC 173-95A-030](#). Applications for step four loans will be accepted and considered for funding if it can be demonstrated that step two (design) can be completed and approved by the department within one year of the date the final offer list is made public.

(3) Prerequisite documents for facilities projects: Draft documents must be sent to the department's engineers at least sixty days prior to end of application cycle for approval by end of application cycle.

(4) Step deviations. A deviation from the step process may be allowed only in a situation where the Washington state department of health has declared a public health emergency and the proposed project would remedy this situation.

(a) In this situation, the department will accept applications for funding consideration that do not follow the step process. However, no loan or grant agreement will be signed until all previous steps have been completed and approved by the department. This deviation from the step process will only allow an application to be considered for funding - it does not guarantee that funding will be offered. It does not allow a loan to be awarded until all step requirements have been satisfied.

(b) If a deviation is approved, the applicant may deviate by only one step. For instance, the department could accept an application for design if planning was not completed and approved, or an application for construction if design was not completed and approved. However, the department may not accept an application for construction if planning was not completed and approved, which would be a two step deviation.

(5) The step process for activities.

(a) Two kinds of activities projects must follow the step process:

(i) Best management practices; and

(ii) Lake projects.

(b) In other cases, the step process for activities is not required, however the department encourages all applicants to plan activities.

(c) The steps involved in the step process for activities are:

(i) Planning (step one) involves the identification of problems and evaluation of cost-effective alternatives, based on environmental and economic considerations, for correcting and preventing water quality problems. Specific activities may include planning for watershed management, ground water management areas, lake restoration, and water quality assessment and other related activities. If the planning document is one that must be approved by a government agency or public body other than the applicant, it must be signed before the applicant is eligible to apply for step two funding.

(ii) Implementation (step two) includes the actual implementation of the project based on the planning document. Where the project includes any type of construction, a design element may be included in step two.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-080, filed 12/8/00, effective 1/8/01.]

WAC 173-95A-090 What other laws, regulations or requirements must recipients comply with? (1) Recipients shall fully comply with all federal, state, and local laws and regulations related to procurement, discrimination, labor, job safety, and drug-free environments. The recipient shall also comply with the state and federal minority-and-women-owned businesses regulations. Applications must not be inconsistent with pertinent adopted water quality plans.

(2) If a loan or grant is provided for water pollution control facilities, recipients shall submit a declaration of construction of water pollution control facilities to the department within thirty days of project, phase, or segment completion.

(3) Recipients must maintain accounting records in accordance with "generally accepted government accounting standards." These standards are defined as, but not limited to, those contained in the United States General Accounting Office publication "*Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.*"

(4) Accounting irregularities may result in an immediate stoppage of payment until irregularities are resolved. The director of the department may require immediate repayment of misused loan or grant funds.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-090, filed 12/8/00, effective 1/8/01.]

WAC 173-95A-100 How are grants and loans managed? (1) Timely use of funds: Projects funded with loans or grants from the centennial fund must be spent in a timely fashion so that funds are put to work for the water quality of the state as soon as possible. To accomplish this, certain time restrictions are placed on the use of funds as follows:

(a) Work on a project must be started within sixteen months of the publication date of the final offer list on which the project was proposed.

(i) Any expenditure of funds which is eligible for reimbursement under the terms of the loan or grant agreement constitutes starting the project.

(ii) No more than one time extension of no more than twelve months may be made when there are valid reasons for the extension and when the extension is included in the signed funding agreement with the department.

(iii) Valid reasons for a time extension allowing a start date more than sixteen months after the publication date of the final offer list are limited to:

(A) Schedules included in water quality permits, consent decrees, or enforcement orders;
or

(B) The recipient and the department agree that there is a need to do work during an environmental window in a specific season of the year.

(iv) If the funding recipient has one of these valid reasons to wait longer than sixteen months to start the project, the reasons why it will take longer and the schedule the recipient will follow must both be stated clearly in a signed loan or grant agreement.

(b) Work on a project must be completed within five years of the publication date of the final offer list on which the project was proposed or within a shorter time period if the shorter period is identified in the funding agreement for the project. When all work identified in the funding agreement scope of work is finished, the project is deemed to be completed. After the five-year time limit is reached, no further expenditures may be reimbursed unless an extension is made.

(i) No more than one time extension of no more than twelve months may be made when there are valid reasons for the extension; and

(A) The extension is requested no less than three months before the funding agreement is due to expire; and

(B) The department's water quality program manager agrees that the extension is for a valid reason.

(ii) Valid reasons for a time extension are limited to:

(A) Schedules included in water quality permits, consent decrees, or enforcement orders;
or

(B) The recipient and the department agree that there is a need to do work during an environmental window in a specific season of the year.

(iii) If the funding recipient has one of these valid reasons to be allowed a time extension, the reasons why it will take longer and the schedule the recipient will follow must both be stated clearly in a signed amendment to the existing loan or grant agreement.

(c) In-kind goods and services may be used as match for activities grants subject to ceiling amount restrictions covered in [WAC 173-95A-030](#) and subject to the most recent edition of *Administrative Requirements for Ecology Grants and Loans*.

(d) In-kind goods and services may be used as match for facilities grants only in the case of projects undertaken under the small town environmental program, or "STEP."

(2) Prior authorization to incur costs. In cases where a project has been identified on a final offer list, the applicant may make a written request to the water quality program manager, asking to begin incurring costs related to a loan or grant for which there is not yet a signed loan or grant agreement. If the department concurs with this request, the water quality program manager will send the applicant a letter authorizing the costs. The applicant incurs the costs at

their own risk. When an agreement is signed, previously incurred costs that are not eligible under the terms of the agreement are the sole responsibility of the applicant.

(3) Appeals of loan and grant agreement decisions: The only decisions which may be appealed are written decisions by the department made during the effective loan or grant agreement period. Appeals must be filed in writing to the department within forty-five days from the date of the disputed decision. Following the final decision of a dispute, the department and the recipient shall proceed with the project in accordance with the decision rendered. Administrative or legal costs and other expenses incurred as part of an appeal will not be eligible for reimbursement.

(4) The department, or at the department's discretion another authorized auditor, may audit the loan or grant agreement and records.

(5) The administration of all loans and grants will be subject to all terms and conditions in a funding agreement signed by the department and by the recipient.

(6) Ongoing management of most aspects of loan and grant projects is subject to the most recent edition of *Administrative Requirements for Ecology Grants and Loans*, copies of which will be provided to all recipients.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-100, filed 12/8/00, effective 1/8/01.]

WAC 173-95A-110 General provisions. (1) Other state and federal grant funding: Other grant funds provided by the state legislature, federal government, or from other sources will be managed in a manner consistent with the centennial rule.

(2) For all projects, the recipient must acknowledge department financial assistance in all reports, technical documents, publications, brochures, and other materials produced using funding from the loan or grant. All site-specific projects must have a sign of sufficient size to be seen from nearby roadways, acknowledging department financial assistance, and left in place throughout the life of the project. Department logos must be on all signs and documents. Logos will be provided as needed.

[Statutory Authority: Chapter 70.146 RCW. 01-01-042 (Order 00-10), § 173-95A-110, filed 12/8/00, effective 1/8/01.]